

Memorandum

To: Iain Rennie, Head of State Services and State Services Commissioner

From: Jenni Norton, Deputy Commissioner

Copies to: Liz Sinclair, Deputy Commissioner

Date: 10 July 2014

Subject: **Performance Improvement Framework Review of the Canterbury Earthquake Recovery Authority**

Purpose

- 1 This memorandum updates you on the Performance Improvement Framework (PIF) Review of the Canterbury Earthquake Recovery Authority (CERA).

Executive Summary

- 2 We have concluded that developing a typical PIF report using the PIF methodology is not appropriate given the extraordinary nature of CERA's operating context and the possibility that CERA as an organisation may not exist in its current form after 2016.
- 3 In the interests of accountability and transparency, publication of this memorandum on the State Services Commission (SSC) website is recommended so that the themes coming from the review itself – including the assessment by the Lead Reviewers of CERA's performance to date and challenges it faces – are available to interested parties.
- 4 The headline finding from the Review conducted in April 2013 is that CERA, led by Roger Sutton, has made excellent progress in the face of enormous challenges. However the agency faces new and emerging challenges and will continue to do so given the nature of the recovery process. It also needs to be acknowledged that events have moved on since the Review was undertaken.
- 5 The Lead Reviewers based their judgements on:
 - 5.1 The recognition that aspects of the recovery will extend well into the next decade.
 - 5.2 CERA's ability to continue to contribute effectively to the substantial response and rebuild work programme underway or planned for the period between now and 2016.
 - 5.3 How CERA has positioned itself to successfully initiate and lead the commencement of the recovery phase.
 - 5.4 How well CERA is positioning itself and others to ensure community led recovery continues beyond 2016.
 - 5.5 The need to ensure an effective transition to 'local and central government agencies and relevant infrastructure owners'.

PART ONE

Background

- 6 The Canterbury earthquakes of 2010 and 2011 were New Zealand's most damaging natural disaster of recent times.
- 7 Responding to the demands of this situation was always going to be far from "business as usual" for the state sector. Response and recovery agencies developed new solutions on site finding existing arrangements at times inadequate for responding with textbook efficiency and effectiveness to demands on them.

Canterbury Earthquake Recovery Authority (CERA)

- 8 In establishing CERA, Cabinet recognised that the effort required to respond to the Canterbury earthquakes was beyond the capability of existing institutions and that new institutional arrangements with specific powers were required. Its creation recognised lessons learnt from other major disasters¹.
- 9 Cabinet also recognised that the creation of CERA and the vesting of special powers were only a part of the response required. While CERA has a major role in coordinating the Crown's responses, it is not solely responsible for the Crown's recovery activities. The responsibilities of other agencies (and their Ministers) to contribute to the recovery have been, and will continue to be, significant. In this respect, Cabinet noted that:
 - 9.1 Existing local and national government agencies would need to play their parts in the response, rebuild and recovery, as would the private sector, NGOs and the community at large; and,
 - 9.2 Ministers retained their portfolio responsibilities and decision rights. However, portfolio Ministers were expected to ensure, when exercising those decisions in relation to greater Christchurch, that decisions were developed in collaboration with the Minister for Canterbury Earthquake Recovery so that those decisions are not inconsistent.
- 10 Consequently, CERA is a time limited, single purpose, regionally located, public service department established to enable a "focused, timely and expedited"² recovery of greater Christchurch. While the recovery will continue well after the 2016 expiry date of the special powers created under the Canterbury Earthquake Recovery Act (CERA Act)³, it is currently anticipated that through 2016 many of CERA's activities "will transition to 'business as usual' activities for local and central government agencies and relevant infrastructure owners", though this does not preclude the possibility of a continuation of CERA in some form to exercise Crown powers, the Crown's governance interests and provide ongoing policy advice related to recovery.⁴

PIF Methodology – Four-year Excellence Horizon

- 11 A key element of the PIF is the development of a medium-term Four-year Excellence Horizon. The Four-year Excellence Horizon promotes clarity and drives improvement from the point of view of what New Zealand needs from an agency in the medium term in the context of an ongoing role. PIF ratings drive off this horizon and describe how ready an organisation is to be able to achieve it. The standard against which all agencies are rated is where they need to be in four years.

¹ For instance, a new authority was needed to focus on the recovery effort as the status quo had proven not to be sufficient; recovery was a long-term activity that needed to commence quickly, and social and economic contexts are equally, if not more, important than the rebuild of infrastructure.

² Canterbury Earthquake Recovery Act 2011 Part 1 Purposes.

³ The Canterbury Earthquake Recovery Act 2011 has a life span of five years from 19 April 2011.

⁴ Page 5 Cabinet Paper 1: *Canterbury Earthquake Recovery: Proposed Governance Arrangements* March 2011.

CERA and the PIF

- 12 The decision to undertake a PIF Review of CERA recognised:
 - 12.1 CERA was one of the few public service departments yet to go through a PIF;
 - 12.2 The methodology would provide a focus on elements of performance which are generic and applicable to all organisations, in a way that would be helpful to both the CE and leadership, the organisation more broadly and the wider public management system;
 - 12.3 The desire to do a Review in an open and transparent way which would fit well with the PIF methodology - in retrospect, we could have more clearly defined how the PIF approach would apply in CERA's unique circumstances.
- 13 However, CERA's unique character has meant that we could not report on the findings of the Review using a typical PIF Report. As the Review progressed it became clear that developing a Four-year Excellence Horizon for CERA was more easily said than done. We concluded that it would not be appropriate, fair or useful to judge and rate CERA against a standard for circumstances that might be significantly different from the status quo and where, even if it continues to exist, CERA may be undertaking a very different set of roles, with others assuming responsibility for many of its current results and functions.
- 14 We also concluded that a Four-year Excellence Horizon might generate unintended consequences; for example, it is an unreasonable and poor use of scarce resources for CERA to invest in the development of a multi-year IT strategic plan and other long term capability investments in such a dynamic and fast moving environment. In addition, it would not be appropriate to bind any transitional and stakeholder functions to a responsibility that they had no direct role in creating.
- 15 Finally we could not find a way to adapt the approach for this Review within the methodology in a way that made sense either for the organisation or for the wider system findings. We sought the advice of PIF peer reviewers and the PIF appeal authority about how to resolve the issues raised by the CERA PIF, and this Memorandum reflects those discussions.⁵
- 16 The Lead Reviewers have made a number of findings which should be made public. Part Two summarises the Lead Reviewer findings, and includes a summary of what CERA has done and is planning to do in response to those findings.
- 17 Some system-wide issues beyond CERA's ambit to address were also identified. Part Three summarises these and lessons learned.

⁵ All PIF Reviews are peer reviewed by a group of Lead Reviewers who have not been involved in the review, to provide moderation, calibration, quality assurance and advice. For the CERA review, peer reviewers provided advice on both CERA-specific issues, including the applicability of the Four-year Excellence Horizon and other PIF elements to CERA, and system-wide issues for central agencies to consider.

The PIF appeal authority is a Lead Reviewer who has not been involved in a review and acts as an independent body to provide advice on the underlying causes and resolution of any issues that arise in the finalisation of a review. For the CERA Review the appeal authority was Sue Suckling.

PART TWO

Lead Reviewer findings and CERA response

Delivery Challenges

Recovery and rebuild

- 18 CERA is leading the implementation of the Recovery Strategy for Greater Christchurch. In particular it is implementing the Christchurch Central Recovery Plan (CCRP). The plan calls for substantial investment in a series of anchor projects (which will necessarily involve private commercial, ratepayer and taxpayer funding) each of which is on its own a major, unique initiative. Each project will require detailed analysis, planning and governance and none of these tasks will be completed quickly. They will require long term organisational structures to oversee development and on-going management.
- 19 The recovery and rebuild also involves continuing work on the re-establishment of core infrastructure services, repair and rebuilding of homes outside the Residential Red Zone and the re-establishment of communities and community facilities. The latter (ranging from decisions about schools, to local parks, to the (re)building of communities) is a dynamic process where CERA's role is to support others.

Insurance

- 20 At the time of the Review it was apparent that the time taken to resolve some insurance claims was causing frustration and meant that some people could not move on.
- 21 CERA has no direct responsibility for insurance matters, but the Lead Reviewers noted that the community expected that CERA could and should be 'doing something'. CERA staff meet regularly with insurance industry and EQC representatives and have worked to attempt to resolve a number of pervasive issues (eg multi-occupancy properties). A Residential Advisory Service to help claimants was established during the course of the review. The Service assists individuals to resolve their insurance related problems and will also provide a system wide view – highlighting existing and emerging barriers and risks.

Residential Red Zone future

- 22 Difficult and complex decisions remain, such as around the Port Hills, where decisions were still pending at the time of the review (decisions were announced on 5 December). There are longer term issues relating to the management and future use of the land the Crown has acquired.

Organisational Challenges

Continue to strengthen and deepen leadership capability

- 23 Noting the shift of focus from response to rebuild and recovery, with CERA undertaking more enabling and supporting roles the Lead Reviewers advised that CERA needed to enhance its leadership capability to:
 - 23.1 Ensure clarity of purpose (for CERA and other players).
 - 23.2 Lead and coordinate the work of central government agencies and other bodies and groups engaged in the recovery.
 - 23.3 Engage effectively with local government, the community, NGOs and the private sector.
- 24 The Lead Reviewers observed that the scale and volume of complex and urgent day-to-day issues are an on-going challenge for the CERA Chief Executive and Senior Leadership Team (SLT). Staff members were also seen to be struggling to understand how organisational priorities were evolving in a rapidly changing environment.

- 25 Consequently and notwithstanding the pressure of addressing day-to-day issues, the Lead Reviewers advised that the SLT needed to have the time to proactively lead the organisation and quickly complete the organisational transition from a state of 'reactive response' to 'proactive and planned recovery'. This would require:
- 25.1 Strengthening and expanding the SLT's capacity to oversee the development and implementation of systems and processes (e.g., assurance, financial and asset management, risk management, planning and reporting) to ensure CERA continued to operate as an efficient and effective organisation in the changing environment.
 - 25.2 Ensuring staff understand that taking the opportunity to 'stand back and take time' to plan, prepare and coordinate is essential.
 - 25.3 Ensuring staff are clear about their individual roles and responsibilities and overall organisational priorities.
 - 25.4 Planning for the transition to successor agencies.
 - 25.5 Strengthening management and specialist capability and capacity so the SLT can spend less time on issues management and more time on organisational leadership.
- 26 The range of skills and experiences required to support good decision making (operationally and strategically) by the SLT is diverse and sometimes rare. The Lead Reviewers suggested that the Chief Executive put in place a group of specialists to advise him as CERA addresses complex recovery issues, operates in a leadership role in the Wellington central government policy process and works with the Christchurch City Council (CCC) and other local agencies to address issues which give rise to tensions and frustration. They also suggested the need for the team to work on its own ability to work together.
- 27 The Lead Reviewers also identified the need for CERA to be smarter in its ability to engage with, obtain the active support of, and lead and coordinate the efforts of Crown agencies as they participate in the recovery. They think CERA needs to provide the leadership that turns existing fora and engagements from briefing and information exchange exercises to activities where issues are identified and the way forward agreed upon.
- 28 The Lead Reviewers also made recommendations to central agencies about their role in addressing the issues referred to in the last two paragraphs (see Part Three below).

Continue to focus on sustaining staff wellbeing

- 29 In addition to demanding and stressful jobs, many CERA staff are coping with personal challenges themselves resulting from the earthquakes. It is particularly hard for staff dealing with challenging issues at work and at home, and being criticised when out and about in community situations. Organisations in Christchurch are reporting increases in numbers of staff on stress leave, a high proportion of staff having trouble sleeping and a general 'fragility' among staff.
- 30 While CERA has implemented staff wellbeing programmes and initiatives, the stresses and challenges facing CERA and its staff will increase in the short term. CERA could do more and the Lead Reviewers recommended that CERA stays in touch with what other employers are doing and accesses the additional skills, capacity and experience required to ensure it operates a proactive and comprehensive staff wellbeing programme.

Develop new capabilities and processes to successfully implement the CBD Rebuild

- 31 In addition to advice they have provided to the central agencies (see Part Three below), the Lead Reviewers advised that CERA and central agencies need to ensure that:

31.1 CERA has the additional skills, capacity and experience to support the redevelopment (e.g. financial, legal and commercial negotiation experience, strategic policy capability, and knowledge and experience about effective public policy processes); and,

31.2 CERA and its Wellington based colleagues work together effectively to:

31.2.1 Ensure timely, well informed advice is provided to Ministers so they can make considered decisions about the implementation of non-traditional activity.

31.2.2 Provide assurance that funds are being applied effectively and risks are being appropriately managed.

32 The Lead Reviewers pointed to the need for CERA and central agencies to put in place bespoke assurance processes (as opposed to the standard public sector processes), that recognise the unique circumstances of the Christchurch rebuild, to support effective management of programmes and of risk. These are being developed.

Build greater clarity among all stakeholders about current and future roles

33 The Lead Reviewers noted concerns expressed by CERA's stakeholders about a lack of clarity about CERA's purpose and functions. They suggested this might be because:

33.1 CERA's roles and functions have changed because of the shift of focus from 'reactive response' to 'proactive and planned recovery'.

33.2 The perception that either CERA is responsible for the delivery of all government services in Christchurch, and/or CERA has taken over the CCC's responsibilities.

33.3 The pressure on all stakeholders (including CERA) to focus on resolving and responding to day-to-day issues has crowded out discussion among stakeholders about on-going roles and responsibilities.

34 The recovery is likely to take another five to ten years to complete. The stated assumption at the time CERA was created was that CERA's activities "will transition to 'business as usual' activities for local and central government agencies and relevant infrastructure owners". CERA is charged with the development of a transition plan which will provide the opportunity to ensure greater clarity of roles as it will require consideration of and planning for:

34.1 What is expected to be achieved by whom in terms of the response, rebuild and recovery by April 2016.

34.2 What will be required to complete the response, rebuild and recovery and which (existing or to be formed) agencies or bodies will undertake the completion.

34.3 When it will be most desirable for transition to occur.

34.4 The involvement that 'inheriting' agencies/bodies should have in the development and implementation of work between now and 2016 and how that will be achieved.

35 The Lead Reviewers considered it important that this process commence sooner rather than later.

Continue to build a stronger sense of community engagement and empowerment

36 The Lead Reviewers identified a consistent message from stakeholders about the desire for a stronger sense of community engagement and empowerment in the rebuild and recovery. In particular, stakeholders emphasised the need to recognise that an important element of the recovery involves rebuilding community connections for displaced people both within new and established communities.

- 37 The Lead Reviewers noted:
- 37.1 CERA had developed and implemented a community engagement framework and associated guidance for its staff. Its Community Resilience Team has worked with communities and supported individuals (directly and indirectly) as they addressed significant issues (e.g. Residential Red Zone announcements).
 - 37.2 There appeared to be a very high level of effective community engagement already occurring. The Community Forum established under the CERA Act was generally seen by those interviewed to be operating effectively providing information and advice. The Lead Reviewers noted that they understood attendance had fallen off and that it might be desirable to invite new members onto the forum to ensure it remains representative.
- 38 The Lead Reviewers were unable to identify what was driving the perception of a lack of community engagement and empowerment.
- 39 The Lead Reviewers did note that community surveys indicated a relatively high level of:
- 39.1 Confidence that CERA made decisions in the best interests of greater Christchurch.
 - 39.2 Satisfaction with communications and information about earthquake recovery decisions.
- 40 The Lead Reviewers suggested that responding to the perceptions would require CERA to adapt its style of community engagement (from informing and advising to engagement and empowerment) and that the comprehensive recovery monitoring and reporting framework would be an important tool for informing stakeholders of the progress that is being made.

CERA's Response

- 41 In response CERA has:
- 41.1 **Modified its structure:** In July 2013, CERA responded to the changing work programme and priorities for the next stage of the rebuild. In part this was because the Crown's cost sharing agreement with the CCC had been completed. This agreement requires more resource and capability for increased responsibilities relating to anchor projects in the central city and horizontal infrastructure projects. CERA has created a horizontal infrastructure team responsible for monitoring and planning, as well as a secretariat support function for the Horizontal Infrastructure Governance Group. It has increased capability in strategic finance, and risk and assurance functions.
 - 41.2 **Recognised the need to recruit a range of additional staff** with the pertinent technical and project management skills. To do this, CERA is using a mix of secondment and fixed term arrangements, which depend on the nature and timescale of each programme. For example the draft Land Use Recovery Plan was led by Environment Canterbury, but that brought together staff from all the strategic partners co-located at the CERA office. Likewise, more staff have been recruited with commercial and investment backgrounds. This allows CERA to interface more positively with the developers and commercial sectors.
 - 41.3 **Improved the Wellington interface:** CERA has recognised difficulties in effectively working with other central government agencies from a distance. This is particularly so in policy development. To address this, CERA has expanded the policy capability in the Wellington office. This has also assisted it to recruit experienced policy managers and analysts, and strengthened the Effective Government Services team, which liaises directly with other agencies.

- 41.4 **Monitoring and reporting:** CERA has built on the Cabinet mandated reporting framework, and published the first quarterly Recovery Progress report with the intention of continuing on a quarterly basis. A 'Lookbook' summary has been developed to provide a snapshot of the overall recovery.
- 41.5 **Insurance:** CERA recognises that insurance is the main reason for the frustration felt by very many residents in greater Christchurch and has commissioned work to progress this area. Private insurers are now working four times faster than in 2012, but there is a long way to go to meet a residential repair completion target of 2016. There are still a number of hard issues to address. For example, CERA is supporting the CCC in addressing flooding issues in low-lying flat land areas, and cross-boundary issues in hilly areas, such as retaining walls. Other agencies have undertaken a stock take of the insurance sector.
- 41.6 **Community wellbeing:** CERA has continued to take an active lead and coordination role in the area of community wellbeing, working across a number of agencies and community groups. For example, CERA is working with CanCERN (Canterbury Community Earthquake Recovery Network), a network of Resident Associations and community groups, and community boards on a number of community-led initiatives that form part of the Programme of Action under the Community on Mind (Psychosocial) Strategy.
- 42 CERA's Chief Executive is confident that the implementation of these changes will provide the SLT with the 'head space' to proactively lead the organisation at a more strategic level. The increased capability in recovery programmes, policy and reporting areas are intended to allow improved connection with Wellington-based agencies, as well as the local community and especially CERA's strategic partners (three territorial authorities, Environment Canterbury, and Te Rūnanga o Ngāi Tahu).
- 43 Finally, CERA has a project underway to scope and plan a transition of legacy functions and resources. It has focused on getting its internal thinking sorted in the first instance, and the next step will be to engage with stakeholders on their views on the management of the transition and the issues this will present.

PART THREE

Issues for the central agencies to consider

- 44 The Lead Reviewers, in light of the shift in the focus of the recovery process from response to rebuild and recovery, advised Central Agency Chief Executives of the need for the central agencies and key central government agencies such as the Ministry of Business, Innovation and Employment to:
- 44.1 Review the Crown's recovery 'game plan' as it will play out over the next decade and the overall governance arrangements; and take a more active role to:
- 44.1.1 Address national and long term economic risks and opportunities the Canterbury rebuild offers, particularly paying attention to how the Crown's risks are managed.
- 44.1.2 Consider the merits (or otherwise) of options for a stronger involvement of the Crown or its agencies in the resolution of insurance issues (both EQC and the private sector insurance market).
- 44.1.3 Ensure that those national, local and private sector agencies that will inherit the completion of the recovery strategy are well positioned to do so.
- 44.1.4 Provide clarity for the successor local government agencies in Canterbury and the organisation of these.

- 44.1.5 Address recruitment and retention issues within CERA and its successor agencies.
- 44.1.6 Maintain oversight of social and community wellbeing and ensure they are given appropriate weight as the recovery progresses.

Central Agencies' Response

- 45 In response the central agencies have been working with CERA to refresh the membership of the Chief Executives Earthquake forum, and ensure that its agenda is focused on those issues that can only be advanced successfully via collaborative action across agencies. Officials are also supporting CERA to identify and report on key indicators that will enable tracking of progress on the recovery priorities and that can be used to provide information on progress to stakeholders. Existing public management processes, such as Four-Year Plans, will also be used to reinforce system-wide ownership of this Government priority and incentivise agencies to make transparent their contributions to the recovery effort.
- 46 Changes in CERA's role over time will require different capabilities. Central agency officials are assisting CERA to acquire, develop and retain key skills and individuals. This will include consideration of incentives to recognise the special circumstances that will apply over the next few years. Officials have also committed to working with the Chief Executive to ensure that his priorities reflect the changing landscape in which he is operating, and provide support as necessary to enable him to successfully deliver.
- 47 Officials are also working with CERA and other agencies to plan for the transition of responsibilities for recovery from CERA to other bodies. This is likely to build on existing work with CCC to build capability and develop fit-for-purpose consenting processes, and take into account the statutory review of Environment Canterbury scheduled to take place in 2014.
- 48 Finally, the central agency senior leaders are encouraging CERA and leaders of other Government agencies operating in Canterbury to keep exploring opportunities to improve service delivery through innovation and collaborative working and to ensure staff receive appropriate support and recognition for the outstanding service they are providing in very trying circumstances.

Lessons Learned for the PIF Programme

- 49 One of the important features of the PIF is that it uses rapid testing and learning cycles so that it can find new ways to offer faster, scalable and durable improvement products to the wider State Services. Putting aside the fact that everyone involved in the PIF Review says they got value from the process, with the benefit of hindsight we will be clearer when planning future reviews about the nature of the agency itself and what this means for the particular approach taken in either undertaking a Review and/or preparing a PIF Report.

RECOMMENDATIONS

- 50 It is recommended that you:

1.	note the content of this memorandum	Yes/No
2.	agree to publish this memorandum on the SSC website	Yes/No

Jenni Norton,
Deputy Commissioner, Performance Improvement Programme Group